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ANNUAL REPORT  
*to*  
*Stockholders*



December 31, 1931

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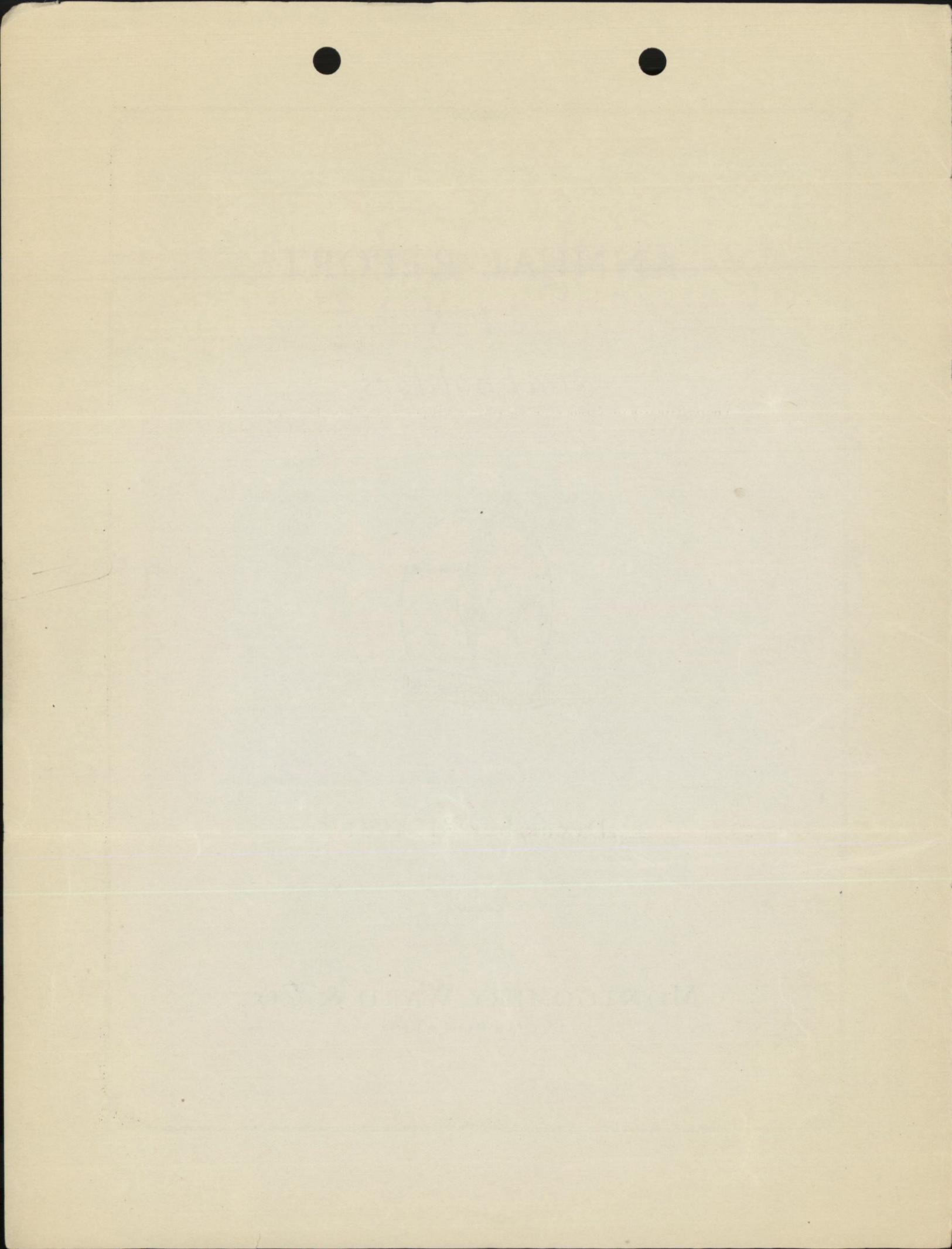
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MONTGOMERY WARD & CO.,  
INCORPORATED

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*Annual Report to Stockholders*  
**MONTGOMERY WARD & CO., INCORPORATED**

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Chicago, January 28, 1932

*To the Stockholders:*

The operation of the business for the year 1931 resulted in a loss of \$8,712,023.24. This includes a write-down of inventory values to market levels in the amount of \$5,300,000.

In addition to the loss, the following items have been charged to Surplus account:

- (1) Dividends paid on Class "A" stock amounting to \$1,427,818.
- (2) Pre-opening expenses of the retail stores and mail order plants, heretofore deferred and now written off, and also a reduction in value of surplus equipment—\$5,382,900.
- (3) Reserve for the proposed closing and relocation of stores and losses on realization of receivables and securities—\$3,931,200.
- (4) Reduction in the cost of Treasury stock (originally acquired for resale to employees) to the average share value for all Common stock—\$1,285,900.

With these adjustments, the accounts at the close of business December 31, 1931, are conservatively stated.

The financial position of the company is strong. The total current assets amounted to \$104,164,478 while the current liabilities aggregated \$7,155,686. The ratio of current assets to current liabilities is over 14 to 1. There was a reduction of inventories during the year of approximately \$14,000,000.

Reduced volume, continually falling prices and the resultant competitive conditions made the year a difficult one.

A constructive program has been adopted which is expected to greatly strengthen the organization, effect further economies and accomplish a general improvement in the operations of the company.

*Respectfully submitted,*

SEWELL L. AVERY

*Chairman of the Board of Directors*

# MONTGOMERY WARD

(an Illinois C

## CONSOLIDATED BALANCE

### A S S E T S

#### Current and Working Assets:

|                                                                                                                                           |                      |
|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Cash.....                                                                                                                                 | \$17,344,163.68      |
| Marketable Securities—at cost—                                                                                                            |                      |
| United States Government Securities.....                                                                                                  | \$ 10,031,800.00     |
| Other Securities.....                                                                                                                     | <u>6,664,244.68</u>  |
| (market value at December 31, 1931—\$15,216,140.62)                                                                                       | 16,696,044.68        |
| Accounts and Notes Receivable—less Reserves—                                                                                              |                      |
| Customers' Time Payment and Other Accounts<br>(due within one year).....                                                                  | \$ 20,193,180.70     |
| Mortgage Loans and Sundry Notes.....                                                                                                      | <u>11,183,952.39</u> |
| Inventories of Merchandise, certified by management as to<br>quantities and condition, valued at cost or market which-<br>ever lower..... | 36,305,747.99        |
| Prepaid Spring Catalogue Costs, Supplies, Insurance, etc....                                                                              | <u>2,441,389.32</u>  |
| Total Current and Working Assets.....                                                                                                     | \$ 104,164,478.76    |

|                                          |            |
|------------------------------------------|------------|
| Investments in Affiliated Companies..... | 633,878.17 |
|------------------------------------------|------------|

#### Fixed Assets:

|                                                |                      |
|------------------------------------------------|----------------------|
| Land.....                                      | \$ 5,917,094.36      |
| Buildings.....                                 | \$ 29,559,706.14     |
| Machinery and Equipment.....                   | <u>22,406,051.34</u> |
|                                                | \$ 51,965,757.48     |
| Less: Reserve for Depreciation.....            | <u>11,881,597.77</u> |
| Leasehold Improvements—less Amortization ..... | 40,084,159.71        |
|                                                | <u>1,317,582.08</u>  |
| Total Fixed Assets.....                        | 47,318,836.15        |

\$152,117,193.08

To the Board of Directors,  
Montgomery Ward & Co., Incorporated:

We have examined the accounts of Montgomery W  
subsidiaries, for the year ended December 31, 1931 and we c  
balance sheet, income and earned surplus accounts correct  
panies at December 31, 1931, and the results of operation  
date. The property accounts and their relative reserves  
31, 1930, were accepted at the amounts shown by the boo

Chicago, Illinois, January 25, 1932.

**D & CO., INCORPORATED**  
*(Corporation)*

SHEET—DECEMBER 31, 1931

**LIABILITIES**

**Current Liabilities:**

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| Accounts Payable.....                                    | \$ 3,696,344.99   |
| Due Customers.....                                       | 1,530,701.36      |
| Accrued Expenses.....                                    | 1,692,199.24      |
| Employees' Payments on Investment and Savings Plans..... | <u>236,441.27</u> |
| Total Current Liabilities.....                           | \$ 7,155,686.86   |

**Long Term Indebtedness:**

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| Purchase Contract due Serially—Chicago Administration Building ..... | \$ 1,894,500.00   |
| Purchase Money Mortgage due March 1, 1933 .....                      | <u>148,800.00</u> |
| Total Long Term Indebtedness.....                                    | 2,043,300.00      |

|                       |              |
|-----------------------|--------------|
| General Reserves..... | 6,510,051.52 |
|-----------------------|--------------|

**Capital Stock:**

*Authorized:*

Class "A"—\$7 per Share Cumulative:  
205,000 shares, having no par value  
(On liquidation or dissolution receives \$100 per share)

Common—  
6,000,000 shares, having no par value

*Outstanding:*

Class "A"—205,000 shares  
Common—4,514,193 shares (after deducting 50,811 shares in treasury)..... } 121,893,572.22

|                                |               |
|--------------------------------|---------------|
| Earned Surplus.....            | 14,514,582.48 |
| <hr/> <u>\$ 152,117,193.08</u> |               |

Ward & Co., Incorporated (an Illinois corporation) and its  
certify that, in our opinion, the accompanying consolidated  
present the consolidated financial position of the com-  
s and changes in surplus account for the year ended that  
and the balance of earned surplus account at December  
ks.

ARTHUR ANDERSEN & CO.  
*Certified Public Accountants.*

# MONTGOMERY WARD & CO., INCORPORATED

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## CONSOLIDATED INCOME ACCOUNT For the Year ended December 31, 1931

|                                                                                                                                                                                                                               |              |                        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------------------|
| <b>Net Sales</b> .....                                                                                                                                                                                                        |              | \$ 198,118,920.00      |
| <i>Less:</i>                                                                                                                                                                                                                  |              |                        |
| Cost of goods sold (including inventory write-downs), wages, operating, general and selling expenses, advertising and all administrative charges, including interest and general taxes, less income from securities, etc..... |              | \$ 203,963,045.56      |
| Depreciation on properties, leasehold improvements and equipment.....                                                                                                                                                         | 2,867,897.68 | 206,830,943.24         |
| <b>Net Loss</b> .....                                                                                                                                                                                                         |              | <b>\$ 8,712,023.24</b> |

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## CONSOLIDATED EARNED SURPLUS ACCOUNT For the Year ended December 31, 1931

|                                                                                                                                                                                               |              |                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------------------------|
| <b>Balance, January 1, 1931</b> .....                                                                                                                                                         |              | \$ 35,254,423.72               |
| <i>Less:</i>                                                                                                                                                                                  |              |                                |
| Loss from operations for the year.....                                                                                                                                                        |              | \$ 8,712,023.24                |
| Dividends paid on Class "A" stock.....                                                                                                                                                        |              | 1,427,818.00                   |
| Balance of pre-opening expenses of retail stores and mail order plants, heretofore deferred, now written off, together with reduction in value of surplus equipment to liquidation basis..... |              | 5,382,900.36                   |
| Transfers to General Reserves for the following purposes—                                                                                                                                     |              |                                |
| Estimated loss in lease rentals and fixtures in stores to be closed or relocated (in excess of reserves already available) \$ 2,350,000.00                                                    |              |                                |
| Possible loss on realization of receivables, collection expenses, etc. (in excess of existing reserves).....                                                                                  | 1,081,200.00 |                                |
| Possible loss on marketable securities and investments in affiliated companies.....                                                                                                           | 500,000.00   | 3,931,200.00                   |
| Reduction in cost of Treasury Common stock to the average share value for all Common stock issued.....                                                                                        |              | 1,285,899.64     20,739,841.24 |
| <b>Balance, December 31, 1931</b> .....                                                                                                                                                       |              | <b>\$ 14,514,582.48</b>        |

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## RECORD OF NET SALES Years ended December 31st

|           |                |           |                |
|-----------|----------------|-----------|----------------|
| 1931..... | \$ 198,118,920 | 1926..... | \$ 183,800,865 |
| 1930..... | 249,097,223    | 1925..... | 170,592,642    |
| 1929..... | 267,325,503    | 1924..... | 150,045,065    |
| 1928..... | 214,350,446    | 1923..... | 123,702,043    |
| 1927..... | 186,683,340    | 1922..... | 84,738,826     |

## MONTGOMERY WARD & CO., INCORPORATED

### OFFICERS

|                           |                                     |
|---------------------------|-------------------------------------|
| SEWELL L. AVERY.....      | Chairman of the Board of Directors  |
| SILAS H. STRAWN.....      | Chairman of the Executive Committee |
| GEORGE B. EVERITT.....    | President                           |
| HARRY E. HUGHES.....      | Vice-President                      |
| WALTER G. BAUMHOGGER..... | Vice-President                      |
| DAVID T. WEBB.....        | Vice-President                      |
| ANDREW YOUNG.....         | Vice-President                      |
| WILLIAM P. ERICKSON.....  | Ass't Treasurer and Ass't Secretary |
| THOMAS P. RIORDAN.....    | Assistant Secretary                 |
| GEORGE W. VAUGHT.....     | Assistant Treasurer                 |

### DIRECTORS

|                           |                                                         |
|---------------------------|---------------------------------------------------------|
| SEWELL L. AVERY.....      | Chairman of the Board                                   |
| SILAS H. STRAWN.....      | Chairman of the Executive Committee                     |
| DAVID A. CRAWFORD.....    | President, The Pullman Company, Chicago                 |
| HARRY P. DAVISON.....     | J. P. Morgan & Co., New York                            |
| GEORGE B. EVERITT.....    | President                                               |
| CHARLES F. GLORE.....     | Field, Glore & Co., Chicago                             |
| HARRY E. HUGHES.....      | Vice-President                                          |
| D. R. McLENNAN.....       | President, Marsh & McLennan, Inc., Chicago              |
| JACKSON E. REYNOLDS..     | President, The First Nat'l Bank of the City of New York |
| CHARLES H. SCHWEPPPE..... | Lee, Higginson & Company, Chicago                       |

